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DAVIVIENDA COLOMBIA MANUFACTURING PMI™

Manufacturing jobs cut for first time in ten months as demand growth wanes

KEY FINDINGS

New orders and output rise at weaker rates

Employment falls, albeit marginally

Business sentiment remains robust

Although the health of the Colombian manufacturing sector continued to improve in November, further momentum was lost. New business growth moderated for the fourth month running, leading to a softer increase in production and the first reduction in employment since January. Nevertheless, firms purchased additional inputs and remained strongly confident that output will expand over the coming 12 months.

The seasonally adjusted Davivienda Colombia Manufacturing PMI™ fell for the fourth straight month in November, from 52.0 in October to 51.6, but remained above the critical 50.0 mark that separates growth from contraction. The latest figure pointed to a softer improvement in business conditions that was the weakest since May.

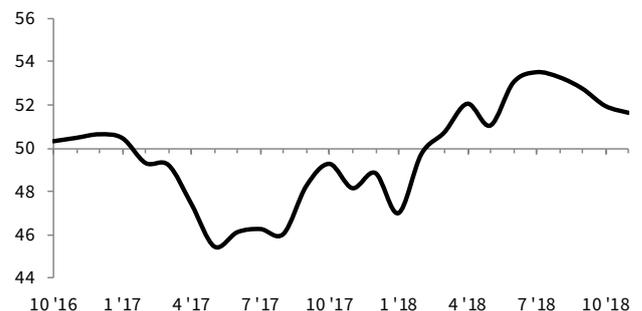
New order growth softened to a six-month low as greater sales and customer wins at some companies were partly offset by unfavourable demand and competitive pressures faced by other factories.

Output increased at a slower pace in November, curbed by a combination of subdued sales and input shortages at some firms. Nevertheless, the latest rise in production was the tenth in as many months and stronger than seen on average over the survey history.

The slowdown in new business growth enabled manufacturers to work through their outstanding business, which fell for the first time in three months.

Goods producers purchased additional materials for use in the production process during November, reversing the

Manufacturing PMI
sa, >50 = improvement since previous month



decline noted in October. Growth was linked to stockpiling initiatives and near-term output needs.

However, holdings of inputs decreased for the third straight month as suppliers' delivery times continued to lengthen. The latest deterioration in vendor performance was associated with traffic restrictions, road works and closures.

Stocks of finished goods fell in November, ending a four-month sequence of accumulation. Those companies that reported lower inventories mentioned the fulfillment of sales and shortages of inputs to complete unfinished products.

Factory employment decreased, ending a nine-month sequence of job creation. According to panellists, low sales and restructuring policies caused the reduction in headcounts. The rate of contraction was only marginal, however, curtailed by the hiring of additional workers at some plants.

Cost inflationary pressures intensified amid reports of dollar strength and list price adjustment at vendors. Consequently, factory gate charges were raised as some companies sought to protect margins. However, the overall rate of selling price inflation was at a one-year low.

Businesses remained strongly confident that output will be higher in 12 months' time, with optimism underpinned by investment intentions, the introduction of new designs and planned expansion into international markets.

COMMENT

Commenting on the Colombia Manufacturing PMI survey data, Andrés Langebaek Rueda, Chief Economist Bolivar Group at Davivienda, said:

“The new data confirm that growth of manufacturing production continues, although at a lower rate not observed since May this year. The industrial activity in our country continues to reflect the recent slowdown in manufacturing activity worldwide.

“For the first time in ten months, employment in the industry contracted, which reaffirms that the sector is losing momentum. With the new information, we have some degree of certainty that manufacturing activity will grow less in the last quarter of the year than what was observed in the last two quarters.

“The behaviour of input prices shows that the recent devaluation of the peso, associated with the fall in the price of oil and the appreciation of the dollar worldwide, begins to play an important role by pressing the costs at producers and decreasing their margins.”

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Methodology

The Davivienda Colombia Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 350 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers’ Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2018 data were collected 12-22 November 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers’ Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

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